

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY KHARTOUM

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E.O. 11652: N/A

TAGS: EFIN, SU

SUBJECT: KENANA SUGAR PROJECT

REF: KHARTOUM 51

1. REPORT IN REFTEL THAT CHAIRMAN IDRIS OF KENANA SUGAR CO. LTD. (KSC) WONDERS IF EXIMBANK WOULD ACCEPT 10/49 THS SHARE OF SUDAN DEVELOPMENT COPR. (SDC) IN SHAREHOLDGER GUARANTEE LIABILITY ON SEVERAL, NOT JOINT BASIS, AS ECGD HAS, INSTEAD OF ONLY NON-SUDANESE SHAREHOLDERS IN PROPORTION TO THEIR PART OF THEIR TOTAL 39 PERCENT INTEREST, IS FIRST SUCH INDICATION TO EXIMBANK SINCE PRELIMINARY COMMITMENT WAS APPROVED 9-22-75 AND ISSUED 10-2-75. EVEN WHEN REQUEST FOR EXTENSION OF PC WAS MADE 12-11-75, NO CHANGE IN GUARANTEE REQUIREMENT WAS REQUESTED.

2. WE TOO HAVE BEEN INFORMED BY ECGD OF THEIR ACCEPTANCE OF SDC'S GUARANTEE FOR 10/49 THS OF THE DEBT. IN JULY 1975 WE WERE INFORMED BY COFACE OF THEIR REQUIREMENT FOR THE GUARANTEE BY THE NON-SUDANESE SHAREHOLDERS, HOWEVER. IN
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SEPTEMBER AL-IBRAHIM OF ARAB INVESTMENT CO. (AIC) INDICATED

THAT KSC HAD ASSENTED TO THIS REQUIREMENT. WE NOW HEAR INDIRECTLY THAT FRENCH HAVE BID FOR AND APPARENTLY ARE OBTAINING TURNKEY CONTRACT FOR ENTIRE PROJECT (MEMCON POUCHED TO EMBASSY), BUT HAVE NOT HAD ANY INDICATION OF RELAXATION IN THEIR GUARANTEE REQUIREMENT.

3. ACCEPTABILITY OF 10/49 THS SDC GUARANTEE WAS THOROUGHLY DISCUSSED AND ANALYZED PRIOR TO ISSUANCE OF PC. THE CREDIT JUDGMENT, BASED ON OBJECTIVE ECONOMIC AND FINANCIAL FACTORS, WAS AND IS THAT SDC'S UNSUPPORTED GUARANTEE FOR 20 PERCENT OF 160 MILLION AND MORE IN EXPORT CREDITS AND EURODOLLAR FINANCING FOR KSC, AND POSSIBLY \$40 MILLION OR MORE IN OTHER KSC DEBT, IS UNACCEPTABLE. THIS POSITION IS UNDERSTOOD TO BE SHARED BY POTENTIAL PRIVATE LENDERS.

4. KSC SHOULD BE REMINDED AND GIVEN TO UNDERSTAND, HOWEVER, THAT ALTERNATIVE ARRANGEMENTS WERE SUGGESTED AND REMAIN AVAILABLE. ONE IS FOR ALL THE SHAREHOLDERS TO GUARANTEE JOINTLY RATHER THAN SEVERALLY. THE OTHER IS FOR SDC'S GUARANTEE TO BE BACKED BY AN ACCEPTABLE THIRD-PARTY (NON-SUDANESE) GUARANTEE, AS WOULD BE NECESSARY FOR THE GULF FISHERIES CO. GUARANTEE.

T. EXMINBANK DESIRES TO ASSIST IN SECURING BUSINESS FOR U.S. AND FINDS KENANA PROSPECT ATTRACTIVE IN MANY RESPECTS, BUT MUST OPERATE IN CONTEXT OF STATUTORY REQUIREMENT TO FIND REASONABLE ASSURANCE OF REPAYMENT. KISSINGER

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